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Dana D'Auria is the group president of Envestnet Solutions and co-chief investment officer at Envestnet.

Provided photo

Envestnet's Dana D'Auria opens up about personalization, tariffs, AI
By Rob Burgess
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As group president of Envestnet Solutions and co-chief investment officer at Envestnet, Dana D'Auria has a full plate.

In her roles, she is responsible for, among other things, research, overlay, direct indexing, sustainable investing and retirement services.

One theme D'Auria returns to often is the idea of personalization at scale in the managed account space.

Envestnet is a significant middleware platform serving the independent insurance, bank, broker-dealer and RIA community.

"Big independents will run their advisory platforms on our rails," she said. "We provide all the proposals, reporting, billing, paperwork generation and legal compliance."

In addition, Envestnet's turnkey asset management platform (TAMP) offers a marketplace of asset managers, models of ETFs and mutual funds, unified managed account (UMA) functionality that combines funds with models and individual holdings and separately managed accounts (SMAs) that are run by outside managers.

"It's a whole marketplace for the advisory side; it's fee-based and personalized," she said.

D'Auria took the time to discuss this idea of personalization at scale with Financial Planning in addition to the great wealth transfer, the recent market instability, artificial intelligence and more.

This interview has been lightly edited for clarity and length.

Financial Planning: One of the ideas you've been returning to is personalization. And I think that's key when we're talking about the great wealth transfer, where the next generation expects that. And you can see that in many different parts of society, whether it be Netflix or Spotify. People want to have things their way.

Dana D'Auria: I think that's spot on. With the next generation and the great wealth transfer, you're talking about an audience that automatically expects

personalization. They've been taught to expect that. They've grown up with the extremely customized existence on the smartphone serving you up recommendations on anything from movies to literature to a place to eat.

I have to expect that when I pay my advisor basis points, I will be able to get a bespoke model recommendation if that's what's in my best interests, and a good explanation around why. It's become obligatory. And it doesn't mean that you have to customize the portfolio, but it does mean that you have to know if there are unique circumstances that should be reflected. That customized experience may be a matter of just how you narrate the message to the client, but you know to have the capability set to be able to be on an ongoing basis. This recommending personalized solutions already is a clear-cut need, but we'll continue to see it grow.

FP: I know one of your responsibilities at Envestnet involves sustainable investing. What do you foresee as the future of sustainable investing in the second term of President Donald Trump?

DD: Sustainability can be thought of as one aspect of personalization. The term environmental, social, governance (ESG) was something you could support in your portfolio, a consumption decision that would make it a values-based play for you. However, ESG relies on taking into consideration that type of information will add value to the client. You can agree with it or disagree with it, but it's a thesis like any other active management thesis. In a world that's inevitably moved away from fossil fuels, companies that are better preparing for that future are going to do better.

A lot of values-based investing sits under sustainability, and that's where it really becomes in the domain of that personalization. That could be either end of the political spectrum. Interestingly, a lot of religious funds share a lot of overlap with what ESG might be looking at as just part of values-based investing. Your advisor can create a personalized portfolio for you that honors whatever parameters you set based on your views.

FP: I write a monthly series based on our Financial Advisor Confidence Outlook (FACO) survey, and it's been remarkable to see the swings in the past few months. After Trump's election, it went way up and by the time his term began it went down again in a hurry. With all this volatility, what is your market outlook for the near future, especially as we see these tariffs play out?

DD: We're entering a period of more uncertainty that the markets are going to have to digest. I don't have any particular reason to think we're going to see stabilization per se. Now, uncertainty does not necessarily have to mean losses if you didn't buy or sell during those periods of ups and downs. It doesn't impact your portfolio one way or the other. Of course, you have people who are trying to buy into it at the buy moments and sell high. That's notoriously hard to do, especially in an environment where it's pretty unpredictable.

You mentioned tariffs, so let's dig into that for a minute. How many times did the story change on tariffs? If you're an active manager who's trying to figure out how to trade in front of this tariff information, it's not an easy place to be, because it changes day to day. A lot of people are looking at this as a negotiating tactic. They have a series of aims they're trying to achieve with these tariffs, and it's not to enable the stock market.

Where are we going from a fiscal spending perspective? What is going to be the impact of these limits on immigration? How far is that going to go? How is that going to impact certain industries? What is the impact of these efficiency cuts? I don't see a reason to think that markets become less volatile.

I would say, though, the secular trend of markets going up — I don't see fundamental reasons why any of that changes over a long enough holding period. If you're in the equity markets, you should have a years-long holding period. If I'm an investor, the best advice in my mind is, be at your appropriate risk tolerance so you don't have more money in markets than you can afford to lose. You don't want to be lying up at night thinking, "Oh, my God. The nest eggs are draining away."

FP: How is Envestnet using AI now and what do you see coming for this technology in the future? How are you protecting sensitive data and preventing issues like hallucinations?

DD: We look across all the different departments and say, "Where do we see opportunities for AI?" You mentioned hallucinations. Certainly being the industry that we're in, even more than others, compliance and legal are closely monitoring what we do in the AI space. We are looking at, "How can AI improve our processes? How can AI provide more efficiency?" We're looking at where AI can help us increase productivity. (Editor's note: In July 2024, Envestnet agreed to be acquired by private equity firm Bain Capital in a planned $4.5 billion cash deal.) One of the things Bain talked about was that they thought they could bring AI to bear at Envestnet and up our game in that space.

FP: What is the best piece of advice you've ever received?

DD: "The answer is in the room." Meaning, talk to everybody. Somebody's got a piece of information. It's creating that mosaic of all these different people that you talk to.